

**Louisiana Housing Council Authorities
Group Self Insurance Risk Management Agency
Church Point, Louisiana
March 31, 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9-20-06

Table of Contents

Independent Auditor's Report	Page 3
Management's Discussion and Analysis	Page 5
Financial Statements	
Combining and Combined Balance Sheets	Page 8
Combining and Combined Statements of Revenues, Expenses, and Changes in Fund Equity	Page 10
Combining and Combined Statements of Cash Flows	Page 12
Notes to Financial Statements	Page 16
Required Supplementary Information	
Schedule 1 - 10 Year Claims Development Information	
Workers Compensation Fund	Page 25
Health Fund	Page 26
General Liability Fund	Page 27
Fire and Extended Coverage Fund	Page 28
Supplementary Information	
Financial Indicator Table	Page 30
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	Page 32
Summary Schedule of Audit Findings	Page 34
Summary Schedule of Prior Year Audit Findings	Page 35

J. CHARLES PARKER, C.P.A.
LOUIS C. McKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.



CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200
BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3008

August 16, 2006

Independent Auditor's Report

Insurance Committee
Louisiana Housing Council, Inc.
Church Point, Louisiana

We have audited the accompanying combining and combined balance sheets of the

**Louisiana Housing Council Authorities
Group Self Insurance Risk Management Agency
Church Point, Louisiana**

as of March 31, 2006 and 2005, and the related combining and combined statements of revenues, expenses and changes in fund equity and cash flows for the years then ended. These combining and combined financial statements are the responsibility of the management of the Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency. Our responsibility is to express an opinion on these combining and combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combining and combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combining and combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combining and combined financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combining and combined financial statements referred to above present fairly, in all material respects, the individual and combined financial positions of the Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency as of March 31, 2006 and 2005, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 5 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report August 16, 2006, on our consideration of the Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were made for the purpose of forming our opinions on the combining and combined financial statements of the Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency taken as a whole. The required supplementary information included in the Schedule 1-10 Year Claims Development Information is presented for purposes of additional analysis and is not a required part of the combining and combined financial statements. Such additional information has been subjected to the auditing procedures applied in the audits of the combining and combined financial statements and in our opinion, is fairly stated, in all material respects, in relation to the combining and combined financial statements taken as a whole.

Our audits were made for the purpose of forming opinions on the combining and combined financial statements of the Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency taken as a whole. The supplementary information included in the Financial Indicator Table is presented for purposes of additional analysis and is not a required part of the combining and combined financial statements. Such additional information has been subjected to the auditing procedures applied in the audits of the combining and combined financial statements and in our opinion, is fairly stated, in all material respects, in relation to the combining and combined financial statements taken as a whole.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

**Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Management's Discussion and Analysis**

The following is management's discussion and analysis of the financial performance of the Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency (IRMA) for the fiscal year ending March 31, 2006. It is presented as a narrative overview and analysis for the purpose of assisting the reader in interpreting the key elements of the financial statements and notes to the financial statements, and supporting schedules for the current year.

The Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency is an association of City and Parish Public Housing Authorities in the State of Louisiana who pool their funds to purchase certain types of insurance coverage. The IRMA was originally formed in 1994 and currently offers coverage for Worker's Compensation, Fire and Extended Coverage (Property), and General Liability. Each line of coverage is a separate fund within the IRMA and has different members with the General Liability Fund having the broadest membership of 118 Authorities. Additional coverages offered by LHC include Public Officials Liability, Health, Long-Term Disability, Life and Pension.

A committee of 7 members along with an Insurance Coordinator (who is contracted by the board) serves as the insurance committee to the IRMA. This committee makes the decisions regarding the operations and results of the IRMA shown herein. The IRMA and insurance program are currently administered by Arthur J. Gallagher Risk Management Services, Inc. at the direction of the committee.

Financial Highlights (in Millions)

	<u>At March 31, 2006</u>	<u>At March 31, 2005</u>	<u>At March 31, 2004</u>	<u>Percentage Increase</u>
Cash and Investments	8.09	7.22	5.85	12.0%
Reserves for Unpaid Claims	2.29	2.09	1.98	9.6%
Fund Equity	5.80	5.29	4.05	9.8%

	<u>Fiscal Year 2006</u>	<u>Fiscal Year 2005</u>	<u>Fiscal Year 2004</u>	<u>Percentage Increase</u>
Premium Income	7.67	7.64	7.57	0.3%
Premiums Ceded and Insurance Policies Purchased	2.92	3.16	3.47	(7.6)%
Investment Income and Change in Unsold Investments	0.24	0.06	0.06	3.0%
Net Claims Expense	4.22	3.06	2.93	37.9%
Administrative, Legal and, Overhead Fees	0.38	0.37	0.33	2.7%
Net Income	0.52	1.25	1.00	(58.4)%

As shown above, cash and investments have increased by 12.0% which was driven by the IRMA's continued strong performance. Reserves for unpaid claims have increased slightly reflecting the addition of another claim year. The IRMA now has a combined \$5.8 million in total fund equity as of March 31, 2006.

For the fiscal year 2006, total premium income and insurance expense have remained relatively consistent with 2005 with the exception of premiums on Fire and Extended Coverage which dropped by nearly \$158,000 in 2006 versus 2005. Total claims incurred have increased by approximately \$1,161,000.

	<u>Fiscal Year 2006</u>	<u>Fiscal Year 2005</u>	<u>Fiscal Year 2004</u>
Worker's Compensation	\$380,957	\$253,954	\$212,300
Health	1,904,817	1,671,786	1,653,461
Fire & Extended Coverage	1,324,745	865,313	945,230
General Liability	<u>605,621</u>	<u>264,385</u>	<u>117,442</u>
Total	<u>4,216,140</u>	<u>3,055,438</u>	<u>2,928,433</u>

**Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Management's Discussion and Analysis**

Financial Highlights (in Millions) (Continued)

Investment income for fiscal years 2006 was approximately \$237,000 or about 3.1% earned on average cash and investments compared to \$60,000 and 0.9% from fiscal year 2005.

The IRMA's overall net income for 2006 dropped to \$515,845 for the fiscal year 2006 versus \$1,246,952 in 2005. This decrease in net income was driven mostly by the increase in claims expenses in 2006 as illustrated in the previous table. The net return on revenue for the years 2006 and 2005 were 8.3% and 21.2%, respectively.

Basic Financial Statements

The basic financial statements include information for the Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency on a combined basis with additional details for each individual fund. The statements are presented in accordance with Governmental Accounting Standards Board (GASB) accounting principles and include the Balance Sheets, Statements of Revenues, Expenses, and Changes in Fund Equity, and Statements of Cash Flows.

The Combining and Combined Balance Sheets present the assets and liabilities of the IRMA and insurance programs with each fund shown separately and a combined column to the far right of the report. The difference between total assets and liabilities is represented as fund equity and is a useful indicator of the surplus generated by the agencies for all years of operation including any dividends that have been distributed to members. The change in fund equity can be used as a useful measure of whether the financial position of the agencies is improving or deteriorating.

The Combining and Combined Statements of Revenues, Expenses, and Changes in Fund Equity present the results of the IRMA's operations for the past two fiscal years. This statement shows the revenues generated by the funds along with the associated expenses. The revenues in excess of expenses are represented as net income and contribute to the change in fund equity from one year to another.

The Combining and Combined Statements of Cash Flows present information showing how the IRMA's cash has changed throughout the fiscal year as a result of its operations.

Other Receivables

The balance sheets for the IRMA contain an asset titled Other Receivables. The balance of this account is comprised of the items detailed in the schedule below.

	March 31, <u>2006</u>	March 31, <u>2005</u>	March 31, <u>2004</u>	<u>Change</u>
Reinsurance Recoveries	\$13,956	\$165,147	\$331,411	(\$151,191)
Pre Collected Renewal Premiums		807,753	2,531,046	(807,753)
Pension Forfeiture Credits Receivable	45,249	24,351	13,575	20,898
Miscellaneous Receivables	<u>6,436</u>	<u>4,804</u>	<u>2,569</u>	<u>1,632</u>
Total	<u>65,641</u>	<u>1,002,055</u>	<u>2,878,601</u>	<u>(936,414)</u>

As detailed above the most significant changes year over year were in reinsurance recoveries due to the IRMA and pre-collected renewal premiums. A reinsurance recovery is recorded when a claim attaches to one of the insurance policies purchased by the IRMA and the IRMA advances claims money to its members to settle a claim. The reinsurance receivables were significantly higher as of March 31, 2005 versus March 31, 2006 as a result of recoveries related to Hurricane Lili which were received from the reinsurance carrier in 2006.

**Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Management's Discussion and Analysis**

Other Receivables (Continued)

Pre-collected renewal premiums shown above represent premiums collected for both the Fire and Extended Coverage and General Liability renewals. Both of these funds have a renewal date of April 1 each year. The IRMA bills its members in March to ensure that funds are collected in sufficient time to cover re-insurance cost and any claims activity that may arise shortly after the renewal date. Since the effective date of these renewals is subsequent to the date of the financial statements, any premiums collected are recorded as an asset of the IRMA with a corresponding liability recorded in Unearned Premiums. Depending on when the billing occurs during the month of March each year, significant fluctuations in this account balance will occur from year to year. In 2006, the billing occurred in late March and there were no pre-collections as of year end.

Unearned Premiums

As noted in the section above for Other Receivables, when premiums are pre-collected for a renewal or insurance carrier premium installment, a liability must be established to reflect that as of that point in time, those collections were made for activity that was to happen subsequent to the date of the financial statements. Because there were no pre-collected premiums as of the current year end, the unearned premiums reflected under the Worker's Compensation Fund, Fire and Extended Coverage Fund, and General Liability Fund all reflected a zero balance. The unearned premiums shown under the Public Officials Fund are recorded as a result of this policy having a renewal date that does not coincide with the date of the financial statements. This policy renews on September 1 of each year. While annual premiums are collected and remitted to the carrier upon the policy's renewal, as of the date of the financial statements (March 31) there are collected premiums that will be earned over the next five months and until the Public Official Liability policy is fully expired on August 31 of each year.

Other Payables

The Agencies Balance Sheets have an Other Payables balance of \$44,613 under the General Liability Fund. This payable represents claims activity associated with a class action lawsuit filed by tenants of the Morgan City Housing Authority alleging toxic mold poisoning over a span of several years. The nature of the claim is such that at the time of the financial statements, the IRMA is unable to determine which insurance policy period(s) and which carrier(s) will be responsible for covering any losses and expenses associated with this claim. The fund had previously paid legal and adjusting expenses in connection with this claim only later to be reimbursed by one of the carriers that has potential responsibility. The IRMA has decided to take a conservative approach and record this reimbursement received as a liability rather than reduce claims expenses until the court decides which parties are ultimately responsible for the claim.

Contacting the IRMA's Insurance Coordinator

This financial report is intended to provide a general overview of the Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency for any interested parties. Questions concerning any of the information provided herein, or requests for additional financial information should be addressed to the Louisiana Housing Council's Insurance Coordinator.

Ms. Gertrude Broach
405 South David
Church Point, LA 70525

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Combining and Combined Balance Sheets
March 31, 2006

	Workers Compensation Fund	Health Fund	Long-Term Disability Fund	Life Insurance Fund	Pension Fund	Fire & Extended Coverage Fund	General Liability Fund	Public Officials Liability Fund	2006 Totals
Assets									
Cash and cash equivalents	\$734,236	\$924,233			\$74,282	\$3,241,651	\$706,093		\$5,680,495
Investments	1,126,889					299,625	987,910		2,414,424
Premiums receivable		12,756	\$875		2,136				15,767
Due from other LHC funds	45,133								45,133
Prepaid expenses	69,785	3,177						\$84,884	157,846
Other receivables		2,039	4,383		45,249	13,956	14		65,641
LWCC Loss Fund	3,095								3,095
Accrued interest	<u>11,785</u>	<u>2,220</u>				<u>10,658</u>	<u>14,608</u>		<u>39,271</u>
Total assets	<u>1,990,923</u>	<u>944,425</u>	<u>5,258</u>		<u>121,667</u>	<u>3,565,890</u>	<u>1,708,625</u>	<u>84,884</u>	<u>8,421,672</u>
Liabilities and Fund Equity									
Accounts payable	4,051		875		120	831	750		6,627
Due to other LHC funds						33,678	11,455		45,133
Unpaid claims liability	617,905	352,547				305,511	1,014,016		2,289,979
Deposit premiums	1,601								1,601
Unearned premiums	10,934		4,383			2,917		84,884	98,735
Policy premiums payable									4,383
Pension funds payable					76,298				76,298
Pension forfeitures payable					45,249				45,249
Other payables							44,613		44,613
Total liabilities	<u>634,491</u>	<u>352,547</u>	<u>5,258</u>		<u>121,667</u>	<u>342,937</u>	<u>1,070,834</u>	<u>84,884</u>	<u>2,612,618</u>
Fund Equity	<u>1,356,432</u>	<u>591,878</u>				<u>3,222,953</u>	<u>637,791</u>		<u>5,809,054</u>
Total liabilities and fund equity	<u>1,990,923</u>	<u>944,425</u>	<u>5,258</u>		<u>121,667</u>	<u>3,565,890</u>	<u>1,708,625</u>	<u>84,884</u>	<u>8,421,672</u>

The accompanying notes are an integral part of these statements.

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Combining and Combined Balance Sheets
March 31, 2005

Assets	Workers Compensation Fund	Health Fund	Long-Term Disability Fund	Life Insurance Fund	Pension Fund	Fire & Extended Coverage Fund	General Liability Fund	Public Officials Liability Fund	2005 Totals
Cash and cash equivalents	\$613,940	\$988,991			\$71,613	\$2,646,155	\$473,603		\$4,794,302
Investments	1,133,692					299,721	994,769		2,428,182
Premiums receivable		5,499	\$641		7,842				13,982
Prepaid expenses	75,324	4,087						\$98,101	177,512
Other receivables		21,918	2,851		24,351	734,624	218,311		1,002,055
LWCC Loss Fund	31,061								31,061
Accrued interest	10,383	955				4,693	13,007		29,038
<u>Total assets</u>	<u>1,864,400</u>	<u>1,021,450</u>	<u>3,492</u>		<u>103,806</u>	<u>3,685,193</u>	<u>1,699,690</u>	<u>98,101</u>	<u>8,476,132</u>
Liabilities and Fund Equity									
Accounts payable	28,698		641		103				29,442
Unpaid claims liability	499,924	316,298				539,107	736,554		2,091,883
Deposit premiums	1,601								1,601
Unearned premiums	2,976					591,395	216,358	98,101	908,830
Policy premiums payable			2,851						2,851
Pension funds payable					79,352				79,352
Pension forfeitures payable					24,351				24,351
Other payables							44,613		44,613
<u>Total liabilities</u>	<u>533,199</u>	<u>316,298</u>	<u>3,492</u>		<u>103,806</u>	<u>1,130,502</u>	<u>997,525</u>	<u>98,101</u>	<u>3,182,923</u>
Fund Equity	<u>1,331,201</u>	<u>705,152</u>				<u>2,554,691</u>	<u>702,165</u>		<u>5,293,209</u>
<u>Total liabilities and fund equity</u>	<u>1,864,400</u>	<u>1,021,450</u>	<u>3,492</u>		<u>103,806</u>	<u>3,685,193</u>	<u>1,699,690</u>	<u>98,101</u>	<u>8,476,132</u>

The accompanying notes are an integral part of these statements.

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Combining and Combined Statements of Revenues, Expenses and Changes in Fund Equity
Year Ended March 31, 2006

	Workers Compensation Fund	Health Fund	Long-Term Disability Fund	Life Insurance Fund	Pension Fund	Fire & Extended Coverage Fund	General Liability Fund	Public Officials Liability Fund	2006 Totals
Revenues									
Premiums earned	\$682,303	\$2,207,327	\$42,702	\$43,726		\$3,338,556	\$1,133,573	\$220,889	\$7,671,076
Premiums ceded	(318,486)	(331,553)				(1,413,318)	(550,433)		(2,613,790)
Net premiums earned	363,817	1,875,774	42,702	43,726		1,925,238	583,140	220,889	5,057,286
Pension funds received					\$813,537				813,537
Investment income	56,400	19,995				116,550	56,283		249,228
Net appreciation (depreciation) in fair value of investments	(6,803)					1,336	(6,859)		(12,326)
LHC fee			1,401			50,063	20,416	5,925	76,404
Other	26,406	12,300							40,107
Assessment income					3,772				3,772
Total revenues	439,820	1,908,069	44,103	43,726	817,309	2,093,187	654,980	226,814	6,238,008
Expenses									
Claims expenses	380,957	1,995,643				1,324,745	605,621		4,306,966
Less reinsurance proceeds		(90,826)							(90,826)
Net incurred claims expenses	380,957	1,904,817				1,324,745	605,621		4,216,140
Administrative fees	20,000	11,289	1,401		1,113		75,000	3,950	112,753
Insurance coordinator fees	2,392	101,519				11,647	3,961		18,000
Claims administrator fees								216,939	101,519
Insurance policies purchased			42,702	43,726	812,424				303,367
Pension funds transferred									812,424
Fees paid to LHC	10,240	3,212				50,063	20,416	5,925	76,404
Bank service charges/other		506			3,772	34,739	13,606		61,797
Legal fees						2,981			7,259
Actuarial fees	1,000					750	750		2,500
Total expenses	414,589	2,021,343	44,103	43,726	817,309	1,424,925	719,354	226,814	5,712,163
Net Income (Loss)	25,231	(113,274)				668,262	(64,374)		515,845
Fund Equity									
Beginning of year	1,331,201	705,152				2,554,691	702,165		5,293,209
End of year	1,356,432	591,878				3,222,953	637,791		5,809,054

The accompanying notes are an integral part of these statements.

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Combining and Combined Statements of Revenues, Expenses, and Changes in Fund Equity
Year Ended March 31, 2005

	Workers Compensation Fund	Health Fund	Long-Term Disability Fund	Life Insurance Fund	Pension Fund	Fire & Extended Coverage Fund	General Liability Fund	Public Officials Liability Fund	2005 Totals
Revenues									
Premiums earned	\$675,410	\$2,139,417	\$43,666	\$40,623		\$3,568,439	\$1,129,597	\$240,975	\$7,638,127
Premiums ceded	(338,076)	(333,720)				(1,571,443)	(596,967)		(2,840,206)
Net premiums earned	337,334	1,805,697	43,666	40,623		1,796,996	532,630	240,975	4,797,921
Pension funds received					\$880,470				880,470
Investment income	33,165	8,109				36,215	27,518		105,007
Net appreciation (depreciation) in fair value of investments	(25,966)					923	(21,239)		(46,282)
LHC fee						50,567	20,249	6,225	77,041
Other	17,489	11,825	1,408						30,722
Assessment income					22,806				22,806
Total revenues	362,022	1,825,631	45,074	40,623	903,276	1,884,701	559,158	247,200	5,867,685
Expenses									
Claims expenses	253,954	1,738,217				865,313	264,385		3,121,869
Less reinsurance proceeds		(66,431)							(66,431)
Net incurred claims expenses	253,954	1,671,786				865,313	264,385		3,055,438
Administrative fees	20,000	11,132	1,408		1,242		75,000	4,150	112,932
Insurance coordinator fees	18,000								18,000
Claims administrator fees		81,286							81,286
Insurance policies purchased			43,666	40,623				236,825	321,114
Pension funds transferred					879,228				879,228
Fees paid to LHC						50,567	20,249	6,225	77,041
Bank service charges/other		2,962				13,185	11,152		50,388
Legal fees					22,806				22,806
Actuarial fees	1,000					750	750		2,500
Total expenses	316,043	1,767,166	45,074	40,623	903,276	929,815	371,536	247,200	4,620,733
Net Income	45,979	58,465				954,886	187,622		1,246,952
Fund Equity									
Beginning of year	1,285,222	646,687				1,599,805	514,543		4,046,257
End of year	1,331,201	705,152				2,554,691	702,165		5,293,209

The accompanying notes are an integral part of these statements.

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Combining and Combined Statements of Cash Flows
Year Ended March 31, 2006

	Workers Compensation Fund	Health Fund	Long-Term Disability Fund	Life Insurance Fund	Pension Fund	Fire & Extended Coverage Fund	General Liability Fund	Public Officials Liability Fund	2006 Totals
Cash Flows From Operating Activities									
Premiums received	\$690,261	\$2,219,949	\$40,936	\$43,726		\$3,470,746	\$1,137,512	\$234,106	\$7,857,236
Premiums paid	(312,947)	(330,643)	(41,170)	(43,726)		(1,412,712)	(550,434)	(230,156)	(2,921,788)
Reinsurance proceeds		90,826							90,826
Pension funds received					\$798,345				798,345
Investment activity	54,998	18,730				110,585	54,682		238,993
Other receipts (payments)	54,372	12,300	234		3,772	50,063	20,416	5,925	147,082
Claims paid	(262,976)	(1,959,394)				(1,558,947)	(528,158)		(4,109,475)
Pension funds paid					(815,478)				(815,478)
Payments for fees and bank charges	(103,412)	(116,526)			16,030	(65,671)	(101,528)	(9,875)	(380,982)
Net cash provided (used) operating activities	120,296	(64,758)			2,669	594,064	232,490		884,761
Cash Flows from Investing Activities									
Proceeds from sale and maturity of investment securities						1,191,198			1,191,198
Purchase of investment securities						(1,189,766)			(1,189,766)
Net cash provided by investing activities						1,432			1,432
Net Increase (Decrease) in Cash	120,296	(64,758)			2,669	595,496	232,490		886,193
Cash, beginning of year	613,940	988,991			71,613	2,646,155	473,603		4,794,302
Cash, end of year	734,236	924,233			74,282	3,241,651	706,093		5,680,495

Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities

Net cash provided (used) by operating activities

The accompanying notes are an integral part of these statements.

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Combining and Combined Statements of Cash Flows
Year Ended March 31, 2005

	Workers Compensation Fund	Health Fund	Long-Term Disability Fund	Life Insurance Fund	Pension Fund	Fire & Extended Coverage Fund	General Liability Fund	Public Officials Liability Fund	2005 Totals
Cash Flows From Operating Activities									
Premiums received	\$552,533	\$2,133,918	\$47,208	\$40,623		\$3,366,478	\$1,172,257	\$240,975	\$7,553,992
Premiums paid	(393,124)	(334,532)	(47,208)	(40,623)		(1,571,443)	(596,967)	(236,825)	(3,220,722)
Reinsurance proceeds		234,656			\$861,852				234,656
Pension funds received									861,852
Investment activity	30,160	7,556				32,564	14,543		84,823
Other receipts (payments)	17,489	11,825	1,408		22,806	(497,008)	567,824	6,225	130,569
Claims paid	(238,655)	(1,732,216)			(861,605)	(818,919)	(218,435)		(3,008,225)
Pension funds paid	(53,167)	(97,237)	(1,408)		(24,051)	(64,502)	(107,151)	(10,375)	(861,605)
Payments for fees and bank charges									(359,891)
<u>Net cash provided (used) by operating activities</u>	<u>(86,764)</u>	<u>223,970</u>	<u>—</u>	<u>—</u>	<u>(998)</u>	<u>447,170</u>	<u>832,071</u>	<u>—</u>	<u>1,415,449</u>
Cash Flows from Investing Activities									
Proceeds from sale and maturity of investment securities	625,000					1,196,434	548,936		2,370,370
Purchase of investment securities	(635,374)					(1,195,352)	(1,215,831)		(3,046,557)
Net transfers from LWCC Loss Fund	<u>2,925</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,925</u>
<u>Net cash provided (used) by investing activities</u>	<u>(7,449)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,082</u>	<u>(666,895)</u>	<u>—</u>	<u>(673,262)</u>
Net Increase (Decrease) in Cash	(94,213)	223,970	—	—	(998)	448,252	165,176	—	742,187
Cash, beginning of year	<u>708,153</u>	<u>765,021</u>	<u>—</u>	<u>—</u>	<u>72,611</u>	<u>2,197,903</u>	<u>308,427</u>	<u>—</u>	<u>4,032,115</u>
Cash, end of year	<u>613,940</u>	<u>988,991</u>	<u>—</u>	<u>—</u>	<u>71,613</u>	<u>2,646,155</u>	<u>473,603</u>	<u>—</u>	<u>4,794,302</u>

The accompanying notes are an integral part of these statements.

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Combining and Combined Statements of Cash Flows
Year Ended March 31, 2005

Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities

	Workers Compensation Fund	Health Fund	Long-Term Disability Fund	Life Insurance Fund	Pension Fund	Fire & Extended Coverage Fund	General Liability Fund	Public Officials Liability Fund	2005 Totals
Net income	\$45,979	\$58,465				\$954,886	\$187,622		\$1,246,952
Adjustments to reconcile net income to net cash provided by operations									
Net (appreciation) depreciation in fair value of investments	25,966					(923)	21,239		46,282
(Increase) Decrease in									
Receivables		162,726	\$3,542		(\$18,618)	1,280,858	438,521		1,867,029
Accrued investment income	(3,005)	(553)				(3,651)	(12,975)		(20,184)
Prepaid expenses	(75,324)	(812)						\$1,382	(74,754)
Due from other LHC funds							547,575		547,575
Increase (Decrease) in									
Unpaid claims liability	15,299	6,001				46,394	45,950		113,644
Unearned premiums	(122,877)					(1,282,819)	(440,474)	(1,382)	(1,847,552)
Accounts payable	27,198	(1,857)	(1,928)		(3)				23,410
Policy premiums payable			(1,614)						(1,614)
Pension funds payable					6,847				6,847
Due to other LHC funds					10,776	(547,575)	44,613		(547,575)
Other payables									55,389
Net cash provided (used) by operating activities	<u>(86,764)</u>	<u>223,970</u>	<u>-</u>	<u>-</u>	<u>(998)</u>	<u>447,170</u>	<u>832,071</u>	<u>-</u>	<u>1,415,449</u>

The accompanying notes are an integral part of these statements.

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2006

Background Information on Public Entity Risk Pools

In April, 1984, the Governmental Accounting Standards Board (GASB) was established as an arm of the Financial Accounting Foundation to promulgate standards of financial accounting and reporting with respect to activities and transactions of state and local entities.

In November, 1989, the GASB issued Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues" (GASB 10) to establish accounting and financial reporting standards for risk financing and insurance-related activities of state and local governmental entities, including public entity risk pools.

In February, 1996, the GASB issued Statement No. 30 "Risk Financing Omnibus, An Amendment of GASB Statement No. 10".

A "public entity risk pool" is defined in GASB Statement No. 10 as a "cooperative group of governmental entities joining together to finance an exposure, liability, or risk." There are four basic types of public entity risk pools which can serve one or several of the following functions:

Risk-sharing pool

An arrangement by which governments pool risks and funds and share in the control of losses.

Insurance-purchasing pool

An arrangement by which governments pool funds or resources to purchase commercial insurance products.

Banking pool

An arrangement by which monies are made available for pool members in the event of loss on a loan basis.

Claims-servicing or account pool

An arrangement by which a pool manages separate accounts for each pool member from which the losses of that member are paid.

Risk-Sharing and Insurance-Purchasing Pools

Workers Compensation Fund
Health Fund
Fire & Extended Coverage Fund
General Liability Fund

Insurance-Purchasing Pools

Long-Term Disability Fund
Life Insurance Fund
Public Officials Liability Fund

Participation in the Agency is open to all housing authorities which are members of the Louisiana Housing Council, Inc. These housing authorities join together to acquire commercial insurance coverage at lower costs. Participation is voluntary and participants may withdraw by giving proper notice. The Agency's general objectives are to formulate, develop and administer, on behalf of the member housing authorities, a program of inter-local risk management to obtain lower costs for that coverage.

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2006

Background Information on Public Entity Risk Pools (Continued)

In 1981, the Louisiana Legislature enacted Louisiana Revised Statutes (LRS) 33:1351 through 33:1360, the "Local Housing Authority Self Insurance Act of 1981." LRS 33:1354 authorizes the Louisiana Housing Council, Inc. (LHC) to administer an inter-local risk management agency, with the insurance committee of the LHC constituting the board of trustees for such agency. LHC is an association for the housing authorities of Louisiana and is incorporated as a nonprofit corporation under the laws of the State of Louisiana.

Background on the Risk-Sharing Pools

Participating housing authorities transfer risk of loss to the funds in the risk-sharing pool. If the assets of the Agency are exhausted, participants will be responsible for their respective outstanding claims.

The Workers' Compensation Fund had sixty-nine and seventy-one housing authorities participating as of March 31, 2006 and 2005, respectively. The Fund uses the Louisiana Workers' Compensation Corporation (LWCC) for claims processing and has established a "Loss Deposit" account with them.

The Health Fund had forty-four and forty-six housing authorities participating as of March 31, 2006 and 2005, respectively. In June 2005, LHC hired Benefit Management Services to perform the claims processing for the Health Fund.

The General Liability Fund had one hundred eighteen housing authorities participating as of March 31, 2006 and 2005, respectively. Associated Claims Adjusters, Inc. performs the claims adjusting for the Fund.

The Fire and Extended Coverage Fund had one hundred thirteen and one hundred eleven housing authorities participating as of March 31, 2006 and 2005, respectively. Associated Claims Adjusters, Inc. performs the claims adjusting for the Fund.

Fund underwriting and rate-setting policies have been established by the LHC Insurance Committee, which is the governing body of the Agency.

Background Information on the Insurance-purchasing Pools

The insurance-purchasing pools include the Long-Term Disability Fund, Life Insurance Fund and the Public Officials Liability Fund, which are comprised of members of the Louisiana Housing Council, Inc. The Funds receive premiums from the housing authorities and pool the funds to purchase commercial insurance products.

Note 1-Summary of Significant Accounting Policies

A. Basis of Accounting

The Agency is considered an enterprise fund and, accordingly, uses the accrual method of accounting.

B. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2006

Note 1-Summary of Significant Accounting Policies (Continued)

C. Method Used to Value Investments

Investments are reported at fair value. Fair value is based on the market value on the last business day of the fiscal year. Purchases and sales of securities are reflected on the trade date. Interest income is recorded as earned on the accrual basis.

D. Premium Income and Accounts Receivable

Premiums are recognized as income over the life of the policies as they are earned. Accounts receivable are current and considered to be fully collectible by management; therefore, no reserve for bad debts has been established.

E. Unpaid Claims Liability

(I) Workers' Compensation Fund, Health Fund, Fire & Extended Coverage Fund and General Liability Fund

These funds establish claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported (IBNR). The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future costs is implicit in the calculation. The carrying amount of liabilities for claims losses and claims expense is presented at actual amounts expected to be spent and are not discounted to present value. Investment earnings are not taken into account in determining claims liability.

(II) All Other Insurance Funds

These funds buy insurance from various commercial insurance companies to cover all claims; therefore, no reserve for unpaid claims liability has been established.

F. Excess and Reinsurance Policies

The funds in the risk-sharing pools purchase excess and reinsurance policies to reduce exposure to large losses on insured events. Under excess policies, once claims reach the provided specific or aggregated stop loss limit, the liability transfers to the excess insurer. Reinsurance policies permit recovery of a portion of losses, although it does not discharge the primary liability of the individual funds as direct insurer of the risks. Funds do not report reinsured risks as liabilities unless it is probable that those costs will not be covered by reinsurers. The Agency evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize their exposure to significant losses from reinsurer insolvencies.

G. Income Taxes

The Agency is exempt from federal income taxes under Sections 7701 and 115 (1) of the Internal Revenue Code.

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2006

Note 1-Summary of Significant Accounting Policies (Continued)

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by management which might affect these financial statements include, but are not limited to, unpaid claims liability for all risk-sharing and insurance purchasing pools.

Note 2-Agency Pool

The Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency sponsors an Agency Pool, which includes only the Pension Fund. This fund receives the contributions from the housing authorities and remits to the custodian.

Note 3-Cash and Investments

Statement No. 40 (GASB 40) of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*, established and modified disclosure requirements of investment risks related to credit risk, concentration of credit risk, and interest rate risk associated with interest-bearing investments. Such disclosures required by GASB 40 and applicable to the Agency are reflected as follows.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The Agency's investment policy, which conforms to Louisiana state law, does not specifically limit investment in securities based on an NRSRO credit rating, but the policy does designate authorized investments by type. These authorized investments, within established guidelines, are as follows:

1. Bonds, notes, bills or other securities guaranteed by the full faith and credit of the United States Government.
2. Bonds, notes, debentures or other similar obligation of an agency of the United States Government created by Act of Congress.
3. Domestic interest-bearing savings accounts, domestic interest-bearing certificates of deposit or domestic interest-bearing time deposits or any other investments that are direct obligations of any bank, or savings and loan association which is insured by the FDIC.
4. Repurchase agreements, collateralized by full faith and credit U.S. Treasury Securities and in compliance with state law.
5. Any other investments allowed for under the Louisiana statutes and Federal statutes and regulations.

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2006

Concentration of Credit Risk

Concentration of credit risk is the "risk of loss attributed to the magnitude of investments in a single issuer". The risk occurs "when investments are concentrated in any one issuer that represents five percent or more of total assets". Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The Agency has no investments of any single organization (other than those issued or guaranteed by the U.S. Government) that represents five percent or more of the Agency's total assets.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Agency will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party to a transaction, the Agency will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Agency is governed by and in conformity with Section 33:2955 of the Louisiana Revised Statutes, which establishes guidelines for depository and investment activity.

- In accordance with statutes of the State of Louisiana, the Agency maintains its deposits at financial institutions authorized by the Board of Directors.
- The collateral for public entity deposits in financial institutions is held in the name of the State Treasurer of Louisiana under a program established by the Louisiana State Legislature and is governed by Section 33:2955 of the Louisiana Revised Statutes. Under this program, the Agency's funds are protected through a collateral pool administered by the State Treasurer.
- Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits.
- In the event of a financial institution's failure, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Per GASB 40, investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. At March 31, 2006, deposits and investments of all funds requiring custodial credit risk disclosure totaled \$5,839,162; all of which were insured or collateralized in accordance with state statute.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Interest rate risk inherent in the portfolio is measured by monitoring the segmented time distribution of the investments in the portfolio. The Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The following table summarizes the Agency's segmented time distribution investment maturities in years by investment type as of March 31, 2006.

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2006

Note 3-Cash and Investments (Continued)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity in Years</u>	
		<u>Less than 1</u>	<u>1 - 5</u>
U.S. Treasury			
Fire & Property	\$299,625	\$299,625	
Workers' Compensation	926,889	297,468	\$629,421
General Liability	987,910	397,390	590,520
	<u>2,214,424</u>	<u>994,483</u>	<u>1,219,941</u>
Certificate of Deposit			
Workers' Compensation	<u>200,000</u>	<u>200,000</u>	
<u>Total U.S. Treasury and Certificate of Deposit</u>	<u>2,414,424</u>	<u>1,194,483</u>	<u>1,219,941</u>

Note 4-Unpaid Claims Liabilities

The funds shown below have established liabilities for both reported and unreported insured events, which include estimates of future payments of losses and related claim adjustment expenses, both allocated and unallocated.

Changes in these liabilities are as follows:

<u>March 31, 2006</u>	<u>Workers Compensation Fund</u>	<u>Health Fund</u>	<u>Fire Extended Coverage Fund</u>	<u>General Liability Fund</u>	<u>Total</u>
Unpaid claims and claims adjustment expenses at March 31, 2005	<u>\$499,924</u>	<u>\$316,298</u>	<u>\$539,107</u>	<u>\$736,554</u>	<u>\$2,091,883</u>
Incurring claims and claims adjustment expenses of the current period	291,426	1,977,683	1,300,000	278,249	3,847,358
Increases (decreases) in provision for insured events of prior years	<u>89,531</u>	<u>(72,866)</u>	<u>24,745</u>	<u>327,372</u>	<u>368,782</u>
<u>Total incurred claims and claims adjustment expense</u>	<u>380,957</u>	<u>1,904,817</u>	<u>1,324,745</u>	<u>605,621</u>	<u>4,216,140</u>
Payments for claims and claims adjustment expenses attributable to:					
Insured events of current year	40,411	1,625,136	1,050,486	32,868	2,748,901
Insured events of prior years	<u>222,565</u>	<u>243,432</u>	<u>507,855</u>	<u>295,291</u>	<u>1,269,143</u>
<u>Total payments and claims adjustment expenses</u>	<u>262,976</u>	<u>1,868,568</u>	<u>1,558,341</u>	<u>328,159</u>	<u>4,018,044</u>
<u>Total unpaid claims and claims adjustment expense at year end</u>	<u>617,905</u>	<u>352,547</u>	<u>305,511</u>	<u>1,014,016</u>	<u>2,289,979</u>

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2006

Note 4-Unpaid Claims Liabilities (Continued)

Changes in these liabilities are as follows:

<u>March 31, 2005</u>	<u>Workers Compensation Fund</u>	<u>Health Fund</u>	<u>Fire Extended Coverage Fund</u>	<u>General Liability Fund</u>	<u>Total</u>
Unpaid claims and claims adjustment expenses at March 31, 2004	<u>\$484,625</u>	<u>\$310,297</u>	<u>\$492,713</u>	<u>\$690,604</u>	<u>\$1,978,239</u>
Incurred claims and claims adjustment expenses of the current period	113,987	1,777,693	955,577	317,399	3,164,656
Increases (decreases) in provision for insured events of prior years	<u>139,967</u>	<u>(105,907)</u>	<u>(90,264)</u>	<u>(53,014)</u>	<u>(109,218)</u>
<u>Total incurred claims and claims adjustment expense</u>	<u>253,954</u>	<u>1,671,786</u>	<u>865,313</u>	<u>264,385</u>	<u>3,055,438</u>
Payments for claims and claims adjustment expenses attributable to:					
Insured events of current year	13,291	1,461,395	451,440	58,267	1,984,393
Insured events of prior years	<u>225,364</u>	<u>204,390</u>	<u>367,479</u>	<u>160,168</u>	<u>957,401</u>
<u>Total payments and claims adjustment expenses</u>	<u>238,655</u>	<u>1,665,785</u>	<u>818,919</u>	<u>218,435</u>	<u>2,941,794</u>
<u>Total unpaid claims and claims adjustment expense at year end</u>	<u>499,924</u>	<u>316,298</u>	<u>539,107</u>	<u>736,554</u>	<u>2,091,883</u>

Note 5-Pledge of Collateral

The Workers' Compensation Fund has pledged and assigned a \$200,000 Certificate of Deposit to Louisiana Worker's Compensation Corporation to secure the payment and performance of the obligations of the Fund.

Note 6-Reinsurance Policy Coverage

A. Workers' Compensation Fund

At March 31, 2006 and 2005, the Fund had excess insurance at statutory limits and employer liability at \$1,000,000. The self insured deductible is \$135,000 and \$125,000, respectively, for each specific event with a \$365,000 and \$375,000 stop loss aggregate for the policy periods. Premiums ceded to excess insurers during the years ending March 31, 2006 and 2005 were \$318,486 and \$338,076, respectively.

B. Health Fund

At March 31, 2006 and 2005, the Fund had reinsurance with each participant having a lifetime maximum coverage of \$1,000,000. The self insured retention is \$66,000 for each individual. Premiums ceded to reinsurers during the years ending March 31, 2006 and 2005 were \$331,553 and \$333,720, respectively, and the amount deducted from claims was \$90,826 and \$66,431, respectively. All of the reinsurance activity was with a single reinsurer. The anticipated recoverable amount as of March 31, 2005 was \$21,918. There was no anticipated recoverable amount at March 31, 2006.

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2006

Note 6-Reinsurance Policy Coverage (Continued)

C. Fire & Extended Coverage Fund

At March 31, 2006 and 2005, the Fund had excess insurance with a self insured retention of \$175,000 for each specific event and aggregate stop losses of \$1,300,000 and \$1,295,689, respectively, for the policy periods. Premiums ceded to excess insurers during the years ending March 31, 2006 and 2005, were \$1,413,318 and \$1,571,443, respectively. The policy period runs from April 1st to March 31st of each year.

D. General Liability Fund

At March 31, 2006 and 2005, the General Liability Fund had excess insurance with a self insured retention of \$100,000 for each specific event and a \$500,000 aggregate stop loss for the policy periods. Premiums ceded to excess insurers during the years ending March 31, 2006 and 2005 were \$550,433 and \$596,967, respectively. The policy period runs from April 1st to March 31st of each year.

Note 7-Related Party Transactions

The Louisiana Housing Council, Inc. (LHC) provides benefits and services to the housing authorities, as well as access to lower cost insurance, but does not participate in the insurance. The Fire and Extended Coverage, General Liability and Public Officials Liability Funds pay a fee to LHC based on housing authorities' participation in the pool of fire & extended coverages, general liability and public officials liability policies. These fees are recognized when the policies are billed. Total fees for the years ended March 31, 2006 and 2005 were \$76,404 and \$77,041, respectively.

Note 8-Administrative Services

Arthur J. Gallagher Risk Management Services, Inc., is a third-party service agent hired by the funds to perform the risk management and administrative functions of the Agency. These fees are based on different criteria for each type of insurance coverage. Total fees expensed for the years ended March 31, 2006 and 2005, were \$112,753 and \$112,932, respectively. Fees by fund are as follows:

	<u>2006</u>	<u>2005</u>
Workers Compensation Fund	\$20,000	\$20,000
Health Fund	11,289	11,132
Long-Term Disability Fund	1,401	1,408
Pension Fund	1,113	1,242
General Liability Fund	75,000	75,000
Public Officials Liability Fund	<u>3,950</u>	<u>4,150</u>
	<u>112,753</u>	<u>112,932</u>

Note 9-Forfeitures Payable

The Pension Fund has a forfeiture account with The Copeland Companies, which provides the pension plan to the housing authority participants, with a balance of \$45,249 and \$24,351 at March 31, 2006 and 2005, respectively. These amounts will be allocated to the participants.

Note 10-Contingent Liabilities

The Agency is a litigate in several lawsuits. The Agency, on the advice of legal counsel, believes that such proceedings and contingencies will not have a material effect on the Agency.

Required Supplementary Information

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Schedule 1 - 10-year Claims Development Information
Workers Compensation Fund

	Year Ended March 31		Six Months Ended March 31		Year Ended September 30						
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Required contribution and investment revenue											
Earned	\$758,306	\$700,098	\$727,372	\$528,756	\$746,838	\$727,752	\$765,626	\$630,439	\$556,729	\$546,592	\$448,011
Ceded	(318,486)	(338,076)	(350,165)	(123,709)	(219,682)	(188,275)	(185,897)	(203,157)	(161,876)	(164,953)	(162,665)
Net earned	439,820	362,022	377,207	205,047	527,156	539,477	579,729	427,282	394,853	381,639	285,346
Unallocated expenses	33,632	62,089	59,176	31,058	52,536	34,315	25,422	32,049	32,769	34,712	33,529
Estimated claims and expenses end of policy year											
Incurred	291,426	113,987	202,831	180,000	117,943	225,000	106,878	110,000	173,671	193,473	181,743
Ceded											
Net incurred	291,426	113,987	202,831	180,000	117,943	225,000	106,878	110,000	173,671	193,473	181,743
Net paid, cumulative as of											
End of policy year	40,411	13,291	20,004	15,305	18,923	111,659	34,693	23,033	49,651	50,075	60,560
One year later		40,027	132,474	92,811	29,114	225,000	75,004	57,922	110,725	139,167	101,034
Two years later			170,002	142,348	45,792	225,000	110,499	85,078	111,259	182,475	101,034
Three years later				242,273	62,081	225,000	110,769	118,723	111,375	227,084	101,034
Four years later					86,854	225,000	111,255	118,985	111,375	250,000	101,231
Five years later						225,000	116,783	120,618	111,375	250,000	101,231
Six years later							116,783	147,256	139,952	250,000	101,231
Seven years later								147,256	153,444	250,000	101,231
Eight years later									193,337	250,000	101,231
Nine years later										250,000	101,231
Ten years later											101,231
Re-estimated ceded claims and expenses	-	-	-	-	-	-	-	-	-	-	-
Re-estimated net incurred claims and expenses											
End of policy year	291,426	113,987	202,831	180,000	117,943	225,000	106,878	110,000	173,671	193,473	181,743
One year later		122,044	355,628	180,000	114,978	225,000	149,701	107,853	142,898	225,387	128,106
Two years later			375,000	251,421	121,584	225,000	124,422	154,797	121,057	213,170	101,034
Three years later				285,828	83,624	225,000	118,966	143,410	111,375	250,000	101,034
Four years later					123,174	225,000	124,107	189,867	111,375	250,000	101,231
Five years later						225,000	116,783	187,631	111,375	250,000	101,231
Six years later							116,783	147,256	198,902	250,000	101,231
Seven years later							116,783	147,256	198,902	250,000	101,231
Eight years later								147,256	198,902	250,000	101,231
Nine years later									193,337	250,000	101,231
Ten years later										250,000	101,231
Increase (Decrease) in estimated net incurred claims and expenses from end of policy year		8,057	172,169	105,828	5,231	-	9,905	37,256	19,666	56,527	(80,512)

The preceding table is Supplementary Information required by Governmental Accounting Standards Board Statement Number 30 (GASB 30). The Schedule illustrates how the Fund's earned revenue (net of reinsurance) plus investment income compare to related costs of loss (net of assumed reinsurance) plus other costs at the end of each year.

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Schedule 1 - 10-year Claims Development Information
Health Fund

	Year Ended March 31						Year Ended September 30					
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1996
Required contribution and investment revenue												
Earned	\$2,239,622	\$2,159,351	\$2,099,982	\$1,118,293	\$2,162,595	\$1,942,592	\$1,688,252	\$1,551,757	\$1,384,224	\$1,309,731	\$1,127,249	
Ceded	(331,553)	(333,720)	(306,205)	(157,188)	(336,105)	(300,230)	(247,274)	(205,431)	(166,390)	(162,701)	(157,878)	
Net earned	1,908,069	1,825,631	1,793,777	961,105	1,826,490	1,642,362	1,440,978	1,346,326	1,217,834	1,147,030	969,371	
Unallocated expenses												
	116,526	95,380	90,272	22,157	49,871	48,260	65,792	90,814	81,266	59,896	47,916	
Estimated claims and expenses, end of policy year												
Incurred												
Ceded	2,068,509	1,844,124	2,092,928	889,444	1,884,317	2,210,718	1,741,117	1,672,737	1,538,982	1,104,813	1,310,315	
Net incurred	(90,826)	(66,431)	(390,227)	(10,063)	(336,576)	(441,427)	(298,576)	(451,268)	(98,594)	(12,010)	(409,953)	
	1,977,683	1,777,693	1,702,701	879,381	1,547,741	1,769,291	1,442,541	1,221,469	1,440,388	1,092,803	900,362	
Net paid, cumulative as of												
End of policy year	1,625,136	1,461,395	1,392,404	602,117	1,213,687	1,452,139	1,165,887	983,425	1,173,090	888,178	704,735	
One year later		1,704,827	1,596,794	830,141	1,347,440	1,852,451	1,401,108	1,223,536	1,440,388	1,092,803	900,362	
Two years later			1,596,794	830,141	1,347,440	1,852,451	1,401,108	1,223,536	1,440,388	1,092,803	900,362	
Three years later				830,141	1,347,440	1,852,451	1,401,108	1,223,536	1,440,388	1,092,803	900,362	
Four years later					1,347,440	1,852,451	1,401,108	1,223,536	1,440,388	1,092,803	900,362	
Five years later						1,852,451	1,401,108	1,223,536	1,440,388	1,092,803	900,362	
Six years later							1,401,108	1,223,536	1,440,388	1,092,803	900,362	
Seven years later								1,223,536	1,440,388	1,092,803	900,362	
Eight years later									1,440,388	1,092,803	900,362	
Nine years later										1,092,803	900,362	
Ten years later											900,362	
Re-estimated ceded claims and expenses	90,826	66,431	390,227	10,063	336,576	441,427	298,576	451,268	98,594	12,010	409,953	
Re-estimated net incurred claims and expenses												
End of policy year	1,977,683	1,777,693	1,702,701	879,381	1,547,741	1,769,291	1,442,541	1,221,469	1,440,388	1,092,803	900,362	
One year later		1,704,827	1,596,794	830,141	1,347,440	1,852,451	1,401,108	1,223,536	1,440,388	1,092,803	900,362	
Two years later			1,596,794	830,141	1,347,440	1,852,451	1,401,108	1,223,536	1,440,388	1,092,803	900,362	
Three years later				830,141	1,347,440	1,852,451	1,401,108	1,223,536	1,440,388	1,092,803	900,362	
Four years later					1,347,440	1,852,451	1,401,108	1,223,536	1,440,388	1,092,803	900,362	
Five years later						1,852,451	1,401,108	1,223,536	1,440,388	1,092,803	900,362	
Six years later							1,401,108	1,223,536	1,440,388	1,092,803	900,362	
Seven years later								1,223,536	1,440,388	1,092,803	900,362	
Eight years later									1,440,388	1,092,803	900,362	
Nine years later										1,092,803	900,362	
Ten years later											900,362	
Increase in estimated net incurred claims and expenses from end of policy year	-	(72,866)	(105,907)	(49,240)	(200,301)	83,160	(41,433)	2,067	-	-	-	

The preceding table is Supplementary Information required by Governmental Accounting Standards Board Statement Number 30 (GASB 30). The Health Fund has data for only nine years so nine years' information is shown. The Schedule illustrates how the Funds' earned revenue (net of reinsurance) plus investment income compare to related costs of loss (net of assumed reinsurance) plus other costs at the end of each year.

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Schedule 1 - 10-year Claims Development Information
General Liability Fund

	Year Ended March 31			Six Months Ended March 31	Year Ended September 30			
	2006	2005	2004	2003	2002	2001	2000	1999
Required contribution and investment revenue								
Earned	\$1,205,413	\$1,156,125	\$1,147,058	\$539,384	\$969,455	\$899,570	\$869,188	\$895,076
Ceded	(550,433)	(596,967)	(845,522)	(340,772)	(470,867)	(270,991)	(242,349)	(250,000)
Net earned	654,980	559,158	301,536	198,612	498,588	628,579	626,839	645,076
Unallocated expenses	113,733	107,151	99,181	40,657	99,131	96,682	93,500	97,056
Estimated claims and expenses, end of policy year								
Incurred	278,249	317,399	341,643	251,236	170,000	381,561	398,110	285,434
Ceded	—	—	—	—	—	—	—	—
Net incurred	278,249	317,399	341,643	251,236	170,000	381,561	398,110	285,434
Net paid, cumulative as of								
End of policy year	32,868	58,267	69,770	57,858	15,137	16,906	5,630	42,066
One year later	—	147,171	142,230	67,318	15,137	98,985	55,491	92,039
Two years later	—	—	229,116	87,665	44,878	108,672	79,887	134,105
Three years later	—	—	—	160,711	58,444	154,532	110,194	195,843
Four years later	—	—	—	—	80,344	165,105	160,390	203,280
Five years later	—	—	—	—	—	169,209	202,557	215,860
Six years later	—	—	—	—	—	—	223,238	215,860
Seven years later	—	—	—	—	—	—	—	215,629
Re-estimated ceded claims and expenses	—	—	—	—	—	—	—	—
Re-estimated net incurred claims and expenses								
End of policy year	278,249	317,399	341,643	251,236	170,000	381,561	398,110	285,434
One year later	—	397,116	351,193	202,306	170,000	381,561	398,100	251,231
Two years later	—	—	500,000	199,618	134,871	388,286	264,867	251,231
Three years later	—	—	—	256,276	95,410	272,570	246,159	226,199
Four years later	—	—	—	—	128,120	254,043	236,101	229,687
Five years later	—	—	—	—	—	246,785	233,159	215,860
Six years later	—	—	—	—	—	—	250,128	215,860
Seven years later	—	—	—	—	—	—	—	215,629
Increase (Decrease) in estimated net incurred claims and expenses from end of policy year	—	79,717	158,357	5,040	(41,880)	(134,776)	(147,982)	(69,803)

The preceding table is Supplementary Information required by Governmental Accounting Standards Board Statement Number 30 (GASB 30). This is the sixth year for the General Liability Fund, therefore, only six years of information is shown. The Schedule illustrates how the Funds' earned revenue (net of reinsurance) plus investment income compare to related costs of loss (net of assumed reinsurance) plus other costs at the end of each year.

Supplementary Information

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Financial Indicator Table
Year Ended March 31, 2006

Loss Ratio	=	<u>Incurred Losses and Loss Adjustment Expense</u>	<u>\$4,216,140</u>	Loss Ratio	=	<u>88.76%</u>
		<u>Net Premiums Earned</u>	<u>4,749,969</u>			
Expense Ratio	=	<u>Expenses (excluding expenses related to losses)</u>	<u>364,071</u>	Expense Ratio	=	<u>7.66%</u>
		<u>Net Premiums Earned</u>	<u>4,749,969</u>			
Combined Ratio	=	Loss Ratio + Expense Ratio	0.96	Combined Ratio	=	<u>0.96</u>
Net Investment Income Ratio	=	<u>Investment Income</u>	<u>236,902</u>	Net Investment Income Ratio	=	<u>0.05</u>
		<u>Net Premiums Earned</u>	<u>4,749,969</u>			
Operating Ratio	=	Combined Ratio - Net Investment Income Ratio	0.91	Operating Ratio	=	<u>0.91</u>
Yield on Invested Assets	=	<u>Investment Income</u>	<u>236,902</u>	Yield on Invested Assets	=	<u>9.81%</u>
		<u>Investments</u>	<u>2,414,424</u>			
Change in Surplus	=	<u>Increase in Surplus</u>	<u>515,845</u>	Change in Surplus	=	<u>9.75%</u>
		<u>Previous Year's Surplus</u>	<u>5,293,209</u>			
Return on Surplus	=	<u>Operating Income</u>	<u>515,845</u>	Return on Surplus	=	<u>9.75%</u>
		<u>Previous Year's Surplus</u>	<u>5,293,209</u>			
Net Premium Written to Surplus	=	<u>Net Premiums Written</u>	<u>4,749,969</u>	Net Premium Written to Surplus	=	<u>0.82</u>
		<u>Surplus</u>	<u>5,809,054</u>			
Current Liability	=	<u>Cash and Cash Equivalents + Invested Assets</u>	<u>8,020,637</u>	Current Liability	=	<u>3.48</u>
		<u>Unearned Premium + Unpaid Claims Liability</u>	<u>2,303,830</u>			

Note: The above ratios represent only the self insured funds which are:
Workers Compensation Fund
Health Fund
Fire & Extended Coverage Fund
General Liability Fund

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Financial Indicator Table
Year Ended March 31, 2005

Loss Ratio = $\frac{\text{Incurred Losses and Loss Adjustment Expense}}{\text{Net Premiums Earned}}$		$\frac{\$3,055,438}{4,472,657}$	Loss Ratio = <u>68.31%</u>
Expense Ratio = $\frac{\text{Expenses (excluding expenses related to losses)}}{\text{Net Premiums Earned}}$		$\frac{329,122}{4,472,657}$	Expense Ratio = <u>7.36%</u>
Combined Ratio = Loss Ratio + Expense Ratio		0.76	Combined Ratio = <u>0.76</u>
Net Investment Income Ratio = $\frac{\text{Investment Income}}{\text{Net Premiums Earned}}$		$\frac{58,728}{4,472,657}$	Net Investment Income Ratio = <u>0.01</u>
Operating Ratio = Combined Ratio - Net Investment Income Ratio		0.75	Operating Ratio = <u>0.45</u>
Yield on Invested Assets = $\frac{\text{Investment Income}}{\text{Investments}}$		$\frac{58,728}{2,428,182}$	Yield on Invested Assets = <u>2.42%</u>
Change in Surplus = $\frac{\text{Increase in Surplus}}{\text{Previous Year's Surplus}}$		$\frac{1,246,952}{4,046,257}$	Change in Surplus = <u>30.82%</u>
Return on Surplus = $\frac{\text{Operating Income}}{\text{Previous Year's Surplus}}$		$\frac{1,246,952}{4,046,257}$	Return on Surplus = <u>30.82%</u>
Net Premium Written to Surplus = $\frac{\text{Net Premiums Written}}{\text{Surplus}}$		$\frac{4,472,657}{5,293,209}$	Net Premium Written to Surplus = <u>0.84</u>
Current Liability = $\frac{\text{Cash and Cash Equivalents} + \text{Invested Assets}}{\text{Unearned Premium} + \text{Unpaid Claims Liability}}$		$\frac{7,961,600}{2,902,612}$	Current Liability = <u>2.74</u>

Note: The above ratios represent only the self insured funds which are:
 Workers Compensation Fund
 Health Fund
 Fire & Extended Coverage Fund
 General Liability Fund

J. CHARLES PARKER, C.P.A.
LOUIS C. MCKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.



CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200
BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3008

August 16, 2006

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Insurance Committee
Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Church Point, Louisiana

Members of the Committee:

We have audited the combining and combined financial statements of the

**Louisiana Housing Council Authorities
Group Self Insurance Risk Management Agency
Church Point, Louisiana**

as of and for the year ended March 31, 2006, and have issued our report thereon August 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combining and combined financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency's combining and combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the insurance committee, management, the Louisiana legislative auditor and the Louisiana insurance commissioner and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Summary Schedule of Audit Findings
March 31, 2006

Findings - Financial Statement Audit

No current year findings were noted.

Louisiana Housing Council Authorities Group Self Insurance Risk Management Agency
Summary Schedule of Prior Year Findings
March 31, 2006

Findings - Financial Statement Audit

No prior year findings were noted.